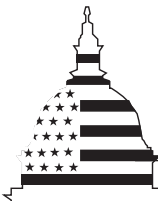


May 2001

DEFENSE INVENTORY

Army War Reserve Spare Parts Requirements Are Uncertain

**G A O****Accountability * Integrity * Reliability**

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Abstract The ultimate test for the military, according to the current National Military Strategy, 1 is for the United States to be able to win two major theater wars occurring nearly simultaneously. Department of Defense policy calls for each of the services to acquire and maintain sufficient war materiel inventories to commence execution of the two-war scenario and sustain operations until the industrial base can establish resupply. Section 364 of the National Defense Authorization Act for Fiscal Year 2000 requires us to evaluate the adequacy of spare parts needed for the U.S. military to respond to the two major theaters of war scenario. As discussed with your offices, we are responding to this mandate with a series of reports based on the current National Military Strategy. 2 In this report, we address the adequacy of spare parts in the Armys war reserve. 3 Specifically, we (1) examine reports on the availability of Army spare parts needed for two major theater wars and (2) evaluate the accuracy of the Armys estimated war reserve requirements for spare parts.		
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United States General Accounting Office
Washington, DC 20548

May 10, 2001

Congressional Committees

The ultimate test for the military, according to the current National Military Strategy,¹ is for the United States to be able to win two major theater wars occurring nearly simultaneously. Department of Defense policy calls for each of the services to acquire and maintain sufficient war materiel inventories to commence execution of the two-war scenario and sustain operations until the industrial base can establish resupply. Section 364 of the National Defense Authorization Act for Fiscal Year 2000 requires us to evaluate the adequacy of spare parts needed for the U.S. military to respond to the two major theaters of war scenario.

As discussed with your offices, we are responding to this mandate with a series of reports based on the current National Military Strategy.² In this report, we address the adequacy of spare parts in the Army's war reserve.³ Specifically, we (1) examine reports on the availability of Army spare parts needed for two major theater wars and (2) evaluate the accuracy of the Army's estimated war reserve requirements for spare parts.

Results in Brief

The most recent Quarterly Readiness Report to the Congress (October-December 2000) indicates that the status of the Army's prepositioned stocks and war reserves is of strategic concern because of shortages in spare parts. Other Army documents indicate that the Army has on hand about 35 percent of its stated requirements of prepositioned spare parts and has about a \$1-billion shortfall in required spare parts for its war reserves. The Army has advised the Office of Management and Budget that the planned funding for fiscal years 2000 to 2005 for spare

¹ The National Military Strategy is the Joint Chiefs of Staff's document on the strategic direction of the armed forces.

² See *Defense Logistics: Actions Needed to Enhance Success of Reengineering Initiatives* (GAO/NSIAD-00-89, June 23, 2000). We have additional reviews underway to address other issues in the mandate, including existing spare parts shortages in each of the services. In the near future, we plan to review the Air Force's and the Navy's spare parts plans for the two major theater war scenario.

³ War reserves are stocks of materiel amassed in peacetime to meet the increase in military requirements consequent upon an outbreak of war. They are intended to provide the interim support essential to sustain operations until resupply can be effected.

parts would result in a high risk⁴ of not having the needed parts for the two major theater war scenario.

Notwithstanding the reported shortfall in funding for war reserve spare parts, our review showed uncertainties about the accuracy of the Army's requirements. Specifically, we found that

- the best available data regarding the rate at which spare parts would be consumed during wartime have generally not been used in determining the Army's war reserve requirements for spare parts;
- a potential mismatch exists between the Army's methodology for determining parts requirements (which focuses primarily on piece parts to repair components and subassemblies) and the Army's planned battlefield maintenance practices (which focus more on removing and replacing components and subassemblies);
- the capacity of the industrial base to support the parts requirements of the two major theaters of war scenario is not well defined or based on industry data and not addressed in the Department of Defense's Annual Industrial Capabilities Report to Congress; and
- emerging issues, such as force restructuring actions, could significantly affect future war reserve requirements.

Because of the significant shortfall in the Army's reported spare parts requirements to support two major theater wars fought nearly simultaneously and the uncertainties that surround those requirements, we are making recommendations designed to (1) assess the priority and level of risk associated with the Army's planned funding, (2) improve the needs determination process, (3) ensure that the Army is optimizing acquisition of parts meeting its needs, and (4) better understand industry's ability to supply critical parts for two major theater wars.

In its written comments on a draft of this report, the Department of Defense generally concurred with the report and its recommendations and indicated actions planned that it believed would address them. The Department agreed that the Army must validate war reserve requirements for spare parts and prioritize the support for those requirements. It also agreed that developing a strategy for determining industrial base capability was an important step in this process. While the Department outlined

⁴ Greater than the "moderate risk" expected for the first of the two major theater wars.

actions planned to address these issues, additional actions will be needed to fully address the recommendations.

Background

Department of Defense policy states that, to reduce the reaction time and to sustain combat forces until resupply channels are established, war materiel inventories shall be sized, managed, and positioned to maximize flexibility to respond, while minimizing the investment in inventories.⁵ The U.S. Army Materiel Command is responsible for managing war materiel, including war reserve spare parts, with policy guidance from the War Reserve Division of the Army's Office of the Deputy Chief of Staff for Logistics.

The Army plans to rely heavily on its specifically designated war reserve weapon systems, equipment, and spare parts⁶ when its units arrive in a combat theater of operations. For the Army, war reserves consist of major end items such as trucks and secondary items such as spare parts, food, clothing, medical supplies, and fuel. Spare parts for maintenance represent the largest dollar value of the Army's war reserve secondary item requirements. War reserves are protected go-to-war assets that are not to be used to improve peacetime readiness or to fill unit shortages. Some of these assets are prepositioned in Southwest Asia, the Pacific, Europe, and on special war reserve ships. The Army would also use available peacetime stocks and what industry could promptly supply.

As part of their budget submission process, the services are to develop information on what they need to effectively implement the Department of Defense war materiel inventory policy. During the 1990s, the Army focused on acquiring its major end items for war reserves but funded few associated spare parts.⁷ In the Fiscal Years 2000-2005 Program Objective Memorandum for its fiscal year 2000 budget submission, the Army developed plans to fund \$265 million for spare parts, with most of the funding planned for the later years. However, for fiscal year 2000, the

⁵ Department of Defense Directive 3110.6, dated November 9, 2000, and Department of Defense Regulation 4140.1-R, dated May 1998, provide war reserve materiel policy.

⁶ Spare parts are defined as repair parts and components, including kits, assemblies, and subassemblies (both repairable and non-repairable) required for the maintenance support of all equipment.

⁷ According to the Army, war reserve spare parts have not been funded since 1989, with the exception of \$45.3 million in fiscal year 1995 for repair of on-hand unserviceable spares.

Army reported that it had obligated \$95 million for war reserve spare parts.

The Army reports its war reserve status in the Department of Defense's Quarterly Readiness Report to the Congress. These reports assess each service's readiness to fight various war scenarios, including the two major theater war scenario. The status of equipment availability and spare parts is included in these assessments. The Department of Defense also prepares an annual report on industry's capabilities to support the military needs.

The U.S. Army Materiel Command is responsible for determining requirements for war reserve spare parts. It uses a computer model to do this. The model takes war-planning guidance from the Department of Defense as well as Army information on anticipated force structure. It combines this data with a list of the end items and associated spare parts planned to be used in war. For each end item or part, the model uses data on expected end-item use and spare parts consumption rates due to breakage, geography, and environment. Also, the model uses data on rates of equipment loss due to battle damage.

Military Documents Highlight Concerns About Shortfalls in War Reserve Spare Parts

The most recent Quarterly Readiness Report to the Congress (October-December 2000) indicates that the current status of the Army's war reserve parts is of strategic concern. This strategic concern was raised for the first time in the unclassified version of this report, although prior reports' classified Annexes A have addressed spare parts concerns. The report states that the Army is between 85 and 95 percent filled in its prepositioned equipment, but shortages still exist in spare parts. The report points out that warfighting and functional commanders in chief of the unified commands continue to express strategic concerns over the status of some prepositioned stockpiles of spare parts. However, the report says that the Department of Defense has taken action to address the critical shortfalls in this area. We were told by a Department official that the action referred to is the Army's planned future funding for war reserve spare parts.

The report concludes that forces can execute the National Military Strategy, but the risk caused by parts shortages and other problems to the first war is moderate and to the second remains high. The risk is defined as the likelihood of failing to accomplish theater objectives within planned timelines and means an increase in the potential for higher casualties to U.S. forces.

During our review, we found Army documents that provide more information on spare parts shortages. For example, in a May 2000 information paper, the Chief of the Army War Reserve Division in the Office of the Deputy Chief of Staff for Logistics advised the Office of Management and Budget that the planned funding for spare parts would result in moderate risk of not having the needed parts in the first major theater war and greater risk in the second. In addition, an internal Army Materiel Command analysis of war reserve spare parts on hand shows the Army has on hand only about 35 percent of its stated prepositioned war reserve spare parts requirement as of the December 2000 budget stratification report done by the Army Materiel Command, expressed in monetary terms, not number of parts.⁸

Another internal document dated November 1999 prepared by the Army War Reserve Division also addressed the availability of spare parts for war reserves.⁹ The purpose of this document was to show the requirement and shortfall for war reserve spare parts, based on parts on hand or expected to be available in the future for the Army's Fiscal Years 2000-2005 Program Objective Memorandum. It indicates that the Army has a stated requirement of \$3.3 billion in spare parts needed for two major theater wars. To meet this requirement, the Army calculates that

- it has \$1.3 billion in parts prepositioned or otherwise set aside for war reserve,
- it has \$0.627 billion in on-hand peacetime inventory that could be used to meet its requirement, and
- it expects to acquire \$0.131 billion in parts from the industrial base.

This leaves a shortfall of about \$1.24 billion. However, the Army expects to get \$0.265 billion in future years budget authority through fiscal year 2005 (mostly in the out-years) to help address war reserve spare parts needs. This would still leave a shortfall of about \$0.975 billion.

⁸ We did not analyze the types and quantities of specific parts on hand or required.

⁹ The data in this document cannot be compared to the earlier document's data because, in addition to war reserve parts on hand, it includes peacetime parts on hand and parts expected to be available from the industrial base but not now on hand. It also is a projection to fiscal year 2005, whereas the other is war reserve parts on hand as of December 2000. However, both documents indicate that the Army lacks a significant amount of its spare parts requirement for war reserves.

Accuracy of the Army's Stated Spare Parts Requirements Is Questionable

Notwithstanding the apparent shortfall in funding for war reserve spare parts, our review found uncertainties about the accuracy of the Army's requirements in that area. How the Army determines its war reserve spare parts requirements has been a matter of concern within the Department of Defense for several years. After considerable effort to improve the process, the central improvement—using better consumption factors in the requirements calculations—has not been widely implemented. Other issues raise further concerns about the validity of the Army's stated requirements for war reserve spare parts. They include (1) the potential mismatch between the Army's methodology for calculating spare parts requirements and the way it intends to maintain and repair equipment on the battlefield, (2) the contributions the industrial base can provide in the way of spare parts support, and (3) the effect of emerging issues such as force structure actions on spare parts requirements.

Army Has Not Updated Requirements Calculations

In the 1990s, the Office of the Secretary of Defense expressed concern about the Army's stated requirements for war reserve spare parts and questioned the determination process used to arrive at those requirements. These concerns were related to the rate at which spare parts would be consumed during wartime. To assuage these concerns, the Army indicated in 1998 that it would change its process for calculating requirements by updating its consumption factors to obtain more realistic information. The change is to replace prior consumption factors that were based on peacetime usage with new factors, referred to as Equipment Usage Profiles and Mean Usage Between Replacement factors, that would better reflect expected usage of parts in wartime. Studies by the Institute for Defense Analyses in 1997 and Coopers & Lybrand in 1998 endorsed the use of the new consumption factors in calculating the requirements.¹⁰

We found that the Army has been slow in implementing this new determination process. To date, about 85 percent of the Army's stated requirements has not been updated using the new consumption factors. After we brought this condition to the Army's attention, Army officials in the War Reserve Division of the Office of the Deputy Chief of Staff for Logistics and the Army Materiel Command's Readiness Division told us that they plan to make all new factors available to those doing the

¹⁰ Institute for Defense Analyses, *IDA Review of the Army War Reserve Program*, April 1997, and Coopers & Lybrand, *Final Reports for Phase I and II on Army War Reserve Secondary Items*, March 31, 1998, and June 11, 1998.

calculations so that the fiscal year 2004 to 2009 Program Objective Memorandum budget package will be based on more accurate data.

We found that Army-sponsored studies made in 1997 and 1998 showed that some requirements increased while others decreased when the new consumption factors were tested. For example, the Coopers and Lybrand study sampled various parts requirements and found that aviation parts requirements increased from \$78 million to \$160 million, while non-aviation parts requirements decreased from \$531 million to \$218 million. Using a limited analysis for the M1 tank, the Institute for Defense Analyses study found that the parts requirements for this end item decreased by over 50 percent. Until the Army fully incorporates the best consumption factors into its requirements determination process, it cannot ensure that it is not buying the wrong amounts of individual items and consequently failing to adequately supply the spare parts needed for the two major theaters of war scenario.

**Requirements
Determination
Methodology Might Not Be
Consistent With Planned
Battlefield Maintenance
Practices**

A potential mismatch exists between the results from the Army's process for determining spare parts requirements for the war reserve and how the Army plans to repair equipment on the battlefield.

The Army has specified that war reserve parts requirements calculations are to optimize parts requirements for specified readiness goals at the least cost, based on Department of Defense guidance.¹¹ What this means in practice is that the Army's stated requirements include numerous parts to repair components and subassemblies rather than the components and subassemblies themselves. However, the Army's current maintenance policy calls for fighting units to remove and replace components and subassemblies rather than repair them on the battlefield. The policy of removing and replacing components and subassemblies appears to conflict with the results of the readiness based sparing methodology. After we discussed this apparent inconsistency with Army officials, we were told that the Army is currently evaluating this issue and that it plans to change the next parts requirements calculation to reflect the current maintenance policy. Army officials in the War Reserve Division of the Office of the Deputy Chief of Staff for Logistics and the Army Materiel Command's Readiness Division could not tell us when this evaluation is to

¹¹ This methodology is referred to as readiness based sparing by the Department of Defense.

be completed, but they expect the evaluation will change the specific parts and quantities required.

Industrial Base Support for War Reserve Spare Parts Is Not Based on Industry Data

Currently, the Army is relying on an internal estimate of what industry might contribute in the way of spare parts needed for two major theater wars, rather than well-defined information from industry. The Army estimates that about 4 percent of the stated spare parts requirement will be derived from the industrial base. This estimate was developed by using generic information on percentages of administrative and production lead times for delivery of parts. According to Army officials, industry data is not being used in developing this estimate because, in the past, few companies responded to the Army's industry spare parts surveys.

The validity of the Army's estimate of the amount of parts to be available from industry (\$131 million of the \$3.3 billion total requirement) is open to question. For example, a 1998 Army study raised concerns about whether industry could support certain spare parts requirements.¹² It found that some requirements assumed to be supported by industry could not be and some that were assumed not to be supported by the industrial base were. The study pointed out that of 86 items (valued at \$73 million), 44 of them (valued at \$51 million) were found not available from the industrial base, although the Army assumed them to be available. The study further indicated that of 218 items (valued at \$60 million), 176 (valued at \$54 million) were found to have existing industrial base production capacity, although the Army assumed the items would not be available.

The Department of Defense's most recent Annual Industrial Capabilities Report to Congress, dated January 2001,¹³ intended to address industrial concerns, does not address the ability of industry to supply Army critical spare parts for a wartime scenario. The contributions the industrial base can provide have a great bearing on what the Army needs to have in its war reserve, but the Army's assessments of industrial capability are limited to selected weapon systems or major end items, such as the

¹²Army Industrial Base Assessment, fiscal year 1998.

¹³*Annual Industrial Capabilities Report to Congress*, January 2001, is the latest report available. Section 2504 of title 10 U.S.C. requires the Secretary of Defense to submit this annual report that identifies and addresses industrial and technological capabilities concerns. This report indicates that the Department is acting to maintain competitive sources in an era of defense industrial consolidations.

Comanche weapon system. The Army and the other services have expressed concerns about existing shortages of spare parts for current operations, caused, in part, by firms going out of business or being reluctant to recreate a production line to produce parts for aging equipment.

Emerging Issues

Emerging issues associated with (1) the Army's logistics reform initiatives resulting from its biennial analysis of force requirements known as Total Army Analysis, (2) the Army's planned transformation to a lighter, more strategically responsive force, and (3) the statutorily mandated Quadrennial Defense Review could significantly change the kinds and numbers of spare parts that will be needed.

Total Army Analysis

Because of implementation of technological improvements in battlefield distribution and the fielding of various logistic enablers, the Army, in its most recent Total Army Analysis, estimates a 15-percent reduction in spare parts needed in-theater by 2007. Every 2 years the Army performs its Total Army Analysis to (1) determine the number and types of support forces needed by combat forces and (2) allocate end-strength to these requirements. In the Total Army Analysis, the Army uses a series of models to simulate the two nearly simultaneous major theater wars described in the National Military Strategy. The analysis cites the implementation of technological improvements in battlefield distribution and the fielding of various logistic enablers as the reasons for the possible reduction in spare parts.

Army Transformation

The Army's planned transformation to a more strategically responsive force is expected to reduce the number of divisional combat systems by 25 percent and consequently reduce the number of parts needed. In October 1999, the Army announced plans to radically change to a lighter, more strategically responsive force. The Army's stated vision was to be able to deploy (1) a combat capable brigade in 96 hours, (2) a division in 120 hours, and (3) five divisions in 30 days. The Army plans to validate the capabilities of the first restructured brigade and then take a number of years to complete the entire conversion to a restructured force. Part of this plan is to reduce the number of combat systems from 58 to 45 and personnel by 3,000 in heavy divisions. It also expects its new weapon systems will have a greater commonality of parts. While the conversion will likely require the acquisition of yet to be determined spare parts for war reserves, the greater commonality should reduce the amount of spare parts required in the long term. However, we were also told that the number of parts needed in the shorter term would not necessarily be

reduced because there would be both old and new systems in the force during the transition to the new structure.

Quadrennial Defense Review

The Quadrennial Defense Review for 2001, as well as the Secretary of Defense's strategic review, could significantly affect the Army's war reserve requirements. The statutorily mandated Quadrennial Defense Review is intended to provide a comprehensive examination of such things as potential threats, force structure, readiness posture, military modernization programs, and infrastructure and develop options for key decision-makers. The previous Quadrennial Defense Review¹⁴ addressed such decisions as reducing the number of active duty personnel and fostered plans to reduce the amount of logistic support to be provided. Any changes in the Army's force structure, its utilization of certain weapon systems, or the National Military Strategy itself would consequently affect the kinds and quantities of spare parts needed in the Army's war reserve.

Conclusions

In part because of the Army's significant shortfall in meeting its reported war reserve spare parts requirement and its current funding plans, there is some risk associated with executing the two major theater war scenario, assuming requirements have been adequately identified.

Because of limitations in the Army's process for determining war reserve spare parts requirements, uncertainties exist regarding the accuracy of the war reserve spare parts requirements and funding needs. These limitations include (1) not using the best available data on the rate at which spare parts would be consumed during wartime for its war reserve spare parts requirements calculations, (2) having a potential mismatch between the Army's process for determining spare parts requirements for war reserves and how the Army plans to repair equipment on the battlefield, and (3) lacking a fact-based assessment of industrial base capacity to provide needed parts for the two major theaters of war scenario. Some uncertainties are likely to remain for the foreseeable future as the Army contemplates a significant transformation of its forces and other changes are considered affecting military strategy and force structure. However, improvements in the above areas could lessen the degree of uncertainties that exist.

¹⁴ *Report of the Quadrennial Defense Review*, May 1997.

Recommendations for Executive Action

We recommend that the Secretary of Defense assess the priority and level of risk associated with the Army's plans for addressing the reported shortfall in Army war reserve spare parts.

To provide accurate calculations of the Army's war reserve spare parts requirements, we recommend that the Secretary of Defense direct the Secretary of the Army to promptly

- develop and use the best available consumption factors (i.e., Equipment Usage Profiles and Mean Usage Between Replacement factors) in calculating all spare parts requirements for the Army's war reserve;
- eliminate potential mismatches in how the Army calculates its war reserve spare parts requirements and the Army's planned battlefield maintenance practices; and
- develop fact-based estimates of industrial base capacity to provide the needed spare parts in the two major theater war scenario time frames.

We further recommend that the Secretary of Defense include in future industrial capabilities reports more comprehensive assessments on industry's ability to supply critical spare parts for two major theater wars.

Agency Comments and Our Evaluation

The Acting Deputy Under Secretary of Defense for Logistics and Materiel Readiness provided written comments to a draft of this report. The Department's comments are reprinted in appendix I. The Department generally agreed with the report and our recommendations. It agreed that the Army must validate war reserve requirements and prioritize the support for those requirements. It also agreed that developing a strategy for determining industrial base capability was an important step in this process. While the Department outlined actions planned to address these issues, additional actions will be needed to fully address all of the recommendations.

The Department concurred with the intent of our recommendation that the Secretary of Defense assess the priority and level of risk associated with the Army's plans for addressing the reported shortfall in Army war reserve spare parts, but it indicated that it would determine whether an independent assessment is feasible by August 1, 2001. The intent of this recommendation was not to assess the feasibility of an independent assessment but rather to bring increased visibility to the Army's plans for addressing the reported shortfall in the Army's war reserves and ensuring secretarial review and concurrence with the Army's plan considering

funding priorities and risk. We continue to believe such a review is needed.

The Department concurred with the recommendation we made for improving the accuracy of its calculation of war reserve spare parts requirements. It outlined specific actions and time frames for accomplishing planned actions. It noted that validation of consumption factors important to more precisely identifying requirements would be addressed by a team the Army has established to review the planning data used throughout the Army.

The Department also concurred with our recommendation for improving the Army's assessment of industry's ability to supply critical spare parts for two major theater wars. It indicated that it will review the need for further industrial base assessments upon completion of an Army Industrial Base Strategy that is expected to be completed December 1, 2001. However, available information indicates that this study is focused on government production and maintenance facilities, not on private industry's ability to provide spare parts. Accordingly, we believe that additional action will be needed to develop fact-based estimates of the industrial base capacity to provide the needed spare parts in the two major theater war scenario time frames.

Scope and Methodology

To ascertain what the Army was reporting about spare parts in its war reserve, we reviewed Quarterly Readiness Reports to the Congress and Joint Monthly Readiness Reports and discussed issues related to spare parts with Army headquarters and U.S. Central Command and U.S. Pacific Command officials. To compare the reported readiness status to the availability of parts to meet requirements for the two major theater war scenario, we obtained Army data on war reserve spare parts on hand compared to the requirements and discussed the results with officials in Army headquarters and the Army Materiel Command.

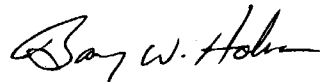
To determine the reliability of the Army's war reserve spare parts requirements, we reviewed the process and factors used for determining requirements and analyzed data on requirements and on-hand parts from officials of Army headquarters in the Office of the Deputy Chief of Staff for Logistics; the U.S. Army Materiel Command and related agencies, to include the Army Materiel Systems Analysis Agency, the Logistics Support Agency, the Field Support Command of the Operations Support Command, and the Aviation and Missile Command; and the Combat Arms Support Command. We visited the U.S. Central Command and its Army component

and met with representatives of the U.S. Pacific Command to discuss the requirements they receive from the Army. We also attended several logistics planning conferences to learn more about how the Army plans to support the fighting commands with parts and other supplies.

We performed our review between February 2000 and March 2001 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable Donald H. Rumsfeld, Secretary of Defense; and the Honorable Joseph Westphal, Acting Secretary of the Army. We will also make copies available to others upon request.

Please contact me on (202) 512-5581 if you or your staff have any questions concerning this report. Key contributors to this report were Joseph Murray, Leslie Gregor, Paul Gvoth, and Robert Sommer.



Barry W. Holman, Director
Defense Capabilities and Management

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Appendix I: Comments From the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
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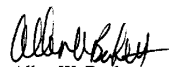
Mr. Barry W. Holman
Director, Defense Capabilities and Management
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Holman:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INVENTORY: Army War Reserve Spare Parts Requirements Are Uncertain," Dated March 20, 2001 (GAO Code 709467/OSD Case 3062). The DoD generally concurs with the draft report. The DoD agrees that Army must validate war reserve requirements and prioritize the support for those requirements. The DoD also agrees that developing a strategy for determining industrial base capability is an important step in this process.

Detailed comments on the draft report recommendations are included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,


Allen W. Beckett
Acting

Enclosure



GAO DRAFT REPORT DATED MARCH 20, 2001
(GAO CODE 709467) OSD CASE 3062

"DEFENSE INVENTORY: ARMY WAR RESERVE SPARE PARTS REQUIREMENTS
ARE UNCERTAIN"

DEPARTMENT OF DEFENSE COMMENTS TO
THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense assess the priority and level of risk associated with the Army's plans for addressing the reported shortfall in Army war reserve spare parts.

DOD RESPONSE: Concur with intent. The DoD will determine whether an independent assessment is feasible by 1 August 2001.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Secretary of the Army to promptly:

- Develop and use the best available consumption factors (i.e., Equipment Usage Profiles (EUP) and Mean Usage Between Replacement (MUBR) factors) in calculating all spare parts requirements for the Army's war reserve;
- Eliminate potential mismatches in how the Army calculates its war reserve spare parts requirements and the Army planned battlefield maintenance practices; and
- Develop fact-based estimates of industrial base capacity to provide the needed spare parts in the two major theater war scenario timeframes.

DOD RESPONSE: Concur. The Army continues to improve the various processes that complement war reserve requirements determination. For example, the Combined Arms Support Command has established an Integrated Concept Team (ICT) that will lead the way to establishing the planning data used throughout the Army during the transformation process. Validation of the EUP data is one of the many concerns to be addressed at the initial ICT planning meeting currently scheduled for 2-4 May 01. Further, the Army will develop the Army's Industrial Base Strategy again with an eye on the transformation process. Consequently, the focus will be on the Army's Recapitalization Program, the Interim Force and the Objective Force. The current target date for completion is 1 December 2001.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense include in future industrial capabilities reports more comprehensive assessments on industry's ability to supply critical spare parts for two major theater wars.

DOD RESPONSE: Concur. However, the industrial capabilities report is an annual report to Congress which compiles all assessments being performed within the Department in the current year. Assessments are initiated by the Services as required. These assessments are included in the industrial capabilities reports as the Army initiates them. The Army will review the need for further assessments upon the completion of the Army's Industrial Base Strategy which will be completed 1 December 2001.

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- 1-800-424-5454 (automated answering system)